

LEAVE OF ABSENCE GRANTED.

(By Unanimous Consent.)

Mr. Dwyer was granted leave of absence for today and tomorrow, on motion of Mr. Anderson.

IN COMMITTEE OF THE WHOLE HOUSE.

(Mr. Minor in the chair.)

On motion of Mr. Hardy, the House at 10:50 o'clock a. m., resolved itself into a Committee of the Whole House for the purpose of further investigating the oil industry.

IN THE HOUSE.

(Mr. Davis in the chair.)

At 6:55 o'clock p. m., Mr. Davis, Acting Chairman of the Committee of the Whole House, reported to the House that the Committee desired to rise, report progress and ask leave of the House to sit again at 9 o'clock a. m. tomorrow.

RECESS.

On motion of Mr. Hardy, the House, at 6:45 o'clock p. m., took recess to 9 o'clock a. m. tomorrow.

APPENDIX.

STANDING COMMITTEE REPORT.

The Committee on Conservation and Reclamation today filed a favorable report on House bill No. 21.

EIGHTH DAY.

(Continued.)

(Wednesday, July 29, 1931.)

The House met at 9 o'clock a. m., and was called to order by Speaker Minor.

IN COMMITTEE OF THE WHOLE HOUSE.

(Mr. Minor in the chair.)

On motion of Mr. Hardy, the House, at 9 o'clock a. m., resolved itself into a Committee of the Whole House for the purpose of further considering the oil industry.

IN THE HOUSE.

(Mr. Minor in the chair.)

At 2:30 o'clock p. m., Mr. Minor, Chairman of the Committee of the

Whole House, reported to the House that the Committee desired to rise, report progress, and ask leave of the House to sit again at 2:40 o'clock p. m. today.

HOUSE BILLS ON FIRST READING.

The following House bills, introduced today, were laid before the House, read severally first time, and referred to the appropriate committees, as follows:

By Mr. Keller:

H. B. No. 23, A bill to be entitled "An Act providing for the leasing of the river bed of the Sabine River for oil and gas, authorizing the Governor, Land Commissioner and Attorney General to negotiate and execute leases either with or without drilling obligations; providing for the disposition of funds derived from such leases; providing for certain appropriations and for things necessary and incidental thereto, and declaring an emergency."

Referred to Committee of the Whole House.

By Mr. Laird:

H. B. No. 24, A bill to be entitled "An Act to combine the duties of the Oil and Gas Division of the Railroad Commission of Texas, the State Board of Water Engineers, the Game, Fish and Oyster Commission of Texas, and the State Reclamation Department, and to consolidate said division, board and commission into one commission to be known as the State Conservation Commission of Texas, composed of three members, one of which is to be elected every two years by the qualified voters to serve a term of six years; the salary of each commissioner shall be six thousand dollars (\$6,000) per year; transferring from the Railroad Commission of Texas, the State Board of Water Engineers, the Game, Fish and Oyster Commission of Texas, and the State Reclamation Department of Texas to the Conservation Commission of Texas all jurisdiction, powers, rights and authority heretofore conferred and all duties heretofore imposed upon each of the commissions, divisions and boards herein mentioned under any law heretofore enacted relating to any of the duties of said boards or commissions."

Referred to Committee of the Whole House.

REPORT OF COMMITTEE IN REGARD TO INVESTIGATING MINERAL RESOURCES OF CERTAIN RIVER BEDS.

The Speaker laid before the House, for consideration at this time, the following report of the committee heretofore appointed to investigate the mineral resources of certain river beds:

Hon. Fred H. Minor, Speaker of the House of Representatives, Austin, Texas.

Dear Sir: We your committee appointed by reason of Simple resolution No. 19, passed on the 21st day of July, A. D. 1931, and being authorized to investigate the mineral resources of certain river beds, beg leave to report as follows:

1. We find that by reason of the Acts of the Forty-first Legislature that all river beds in the State of Texas have been taken off the market and that by reason of this act the State is losing a considerable amount of money at the present time and will lose more in the future by reason of the drainage by adjacent oil wells.

2. We find that the Sabine River, running through Gregg county, is probably at the present time the greatest source of loss and that this river bed has approximately eight or nine hundred acres in the same belonging to the State of Texas, and of this amount approximately three hundred acres is in proven oil field territory.

3. In analyzing the Gregg county oil field which the Sabine River runs through the middle of, we find that this oil is being produced from a very porous sand, causing adjacent territory to be drained very easily. The oil field umpire in this territory informs us that they have a record of water traveling three thousand feet through this oil sand in four hours, which means that unless the State property is protected it will undoubtedly be drained before the convening of another Legislature. In this territory we find that there are nine oil wells capable of producing from ten to thirty thousand barrels of oil daily, located near the course of the river, and that other wells will likely be located in the vicinity of the Sabine River bed in the near future. That

each of these wells will undoubtedly drain from State-owned property.

4. Your committee finds further that although oil is selling for an unreasonably low price at the present time, there is an especially good market for the river bed acreage herein referred to, and that it would be advisable to place this land on the market, giving the board supervision over the same with the authority to sell such properties at such time as they deem advisable.

5. Therefore we, your committee, recommend that the attached bill be enacted by this Legislature.

KELLER,
PETSCH.

Dissenting Recommendation.

As a minority report to the House of Representatives, while I agree that the things stated in the majority report are possibly correct, I desire to file this dissenting recommendation, due to the fact that I am of the opinion that if wells are drilled in the Sabine River bed that they will pollute the waters of said stream, causing the water supply of the city of Longview to be ruined and cause the city to be without water, resulting in the loss of a large investment. Therefore, I recommend that this land not be leased.

Respectfully submitted,
HOLLOWAY.

H. B. No. 23. By Mr. Keller.

A BILL

To Be Entitled

"An Act providing for the leasing of the river bed of the Sabine River for oil and gas, authorizing the Governor, Land Commissioner and Attorney General to negotiate and execute leases either with or without drilling obligations; providing for the disposition of funds derived from such leases; providing for certain appropriations and for things necessary and incidental thereto, and declaring an emergency."

Be it enacted by the Legislature of the State of Texas:

Section 1. That the entire area of the Sabine River belonging to and within the territorial limits of the State of Texas shall hereafter be subject to lease for oil and gas under the terms of this act. Provided, that

whenever the acreage of the said river bed between any given points on the river is sought to be leased under the provisions of this act, the board, before leasing same may, if necessary, have such properties surveyed and the lines thereof definitely established and permanently marked.

Sec. 2. A board composed of the Governor, the Land Commissioner and the Attorney General, hereafter called the Board, shall also have authority and it shall be the duty of said Board to negotiate and sell leases to be executed by the Land Commissioner covering said river bed in accordance with this act.

Sec. 3. As soon as practical after this statute takes effect the Board shall give notice that the Sabine River bed is on the market subject to lease for oil and gas by publishing a notice of that fact once each week for three weeks in some newspaper of general circulation in the State of Texas. Such Board shall have authority after such notices to refuse any bids which they do not think are adequate.

Sec. 4. After the publication of the notice provided in Section 3 hereof, the Board shall be authorized to sell oil and gas leases on any part of the bed of the Sabine River within the State of Texas, at the best price obtainable, either at public or private sale, within the discretion of said Board, and either with or without an obligation in the lease to drill and develop the leased area for oil and gas; provided, that in the event any part of said river bed is leased without an obligation on the part of the lessee to develop the same, a relatively higher price shall be obtained therefor to compensate the State for the value of the oil and gas lease and the lessee shall pay the State, at a reasonable market price, for the estimated amount of oil and/or gas under said land or the Board may provide that said lessee shall drill within a reasonable time outside of said river bed, without drilling offsets, and shall give to the State at least a royalty of one-eighth ($\frac{1}{8}$) of the pooled acreage of the State and lessee, in proportion to the amount of land owned by each; provided, said lessee's adjacent acreage is sufficient to reasonably prevent drainage from said river bed acreage by other parties or from other acreage.

Sec. 5. All leases providing for development shall, in addition to the agreed cash price, provide for a royalty of one-eighth ($\frac{1}{8}$) of the value of all oil and gas produced from the area covered by the lease, and shall be executed on forms to be approved by the Board, and shall provide that the lessee shall use the highest degree of care in developing said river bed so as to prevent pollution of said stream and in event of such degree of care is not used the State of Texas shall have the right to immediately take charge of said properties and for violation hereof said lease may be canceled at the option of the State.

Sec. 6. All monies due as purchase price for leases or as royalty on production hereunder shall be paid to the Land Commissioner and by him transmitted to the State Treasurer to the credit of the General Fund of the State of Texas.

Sec. 7. There is hereby appropriated out of the General Fund from funds not otherwise appropriated the sum of five thousand dollars (\$5,000) for the purpose of carrying out the provisions of this act.

Sec. 8. If any section or provision of this act shall be declared to be unconstitutional the same shall not affect the remaining sections or provisions of the same and it is hereby declared that the Legislature would have passed this act had any section hereof which may hereafter be declared unconstitutional have been omitted from said act.

Sec. 9. The fact that much of the area of the Sabine River bed is now in proven oil territory with extensive drilling and production of oil and gas being carried on near the said river resulting in the drainage of oil and gas belonging to the State of Texas, for which it is receiving nothing, creates an emergency and an imperative public necessity requiring that the constitutional rule that bills be read on three several days be suspended, and that this act be in full force and effect from and after its passage, and it is so enacted.

COMMUNICATION FROM MR.
ROY B. JONES.

The following communication was ordered printed in the Journal:

Panhandle Refining Company

Wichita Falls, Texas

July 25, 1931.

Proration Advisory Committee,
P. O. Box 787,
Pampa, Texas.

Gentlemen: Please be advised that this company will not, after August 1st, accept any charge for the expense of the Proration Office maintained in Pampa.

There appears to be no further necessity for it since, as far as we can ascertain, there is no overproduction in that district, and all purchasers are short of crude oil. We have made application to purchase some oil to three rather large purchasers of crude in that district and find that in every case they themselves are short. It seems rather anomaly to maintain a proration office when this condition exists.

We have been solicited by other purchasers for the small amount of oil which we produce in that district. In fact, as I understand it, there is a very keen competition for all the oil that can be produced. The situation, of course, is not materially different there from here where there is the keenest competition among purchasers for connections.

We are unable to purchase sufficient oil to operate our plant and have been compelled to go into East Texas to purchase oil and ship it here in tank cars, having lost a number of our connections to other purchasers. There has been a drive on our connections and is still going on. Other local refiners are in very much the same condition. One at least is also shipping oil from East Texas. To maintain proration in the face of such conditions is working a hardship upon the local purchasers of oil.

Yours very truly,

(Signed) ROY B. JONES.

CC: Mr. R. D. Parker.

IN COMMITTEE OF THE WHOLE HOUSE.

(Mr. Minor in the chair.)

On motion of Mr. Hardy, the House at 2:40 o'clock p. m. resolved itself into a Committee of the Whole House for the purpose of further investigating the oil industry.

IN THE HOUSE.

(Mr. Minor in the chair.)

At 5 o'clock p. m., Mr. Minor, Chairman of the Committee of the Whole House, reported to the House that the Committee desired to rise, report progress, and ask leave of the House to sit again at 9 o'clock a. m. tomorrow.

The Committee also desires to report that the following resolution offered by Mr. Beck was considered by the Committee and was, on motion of Mr. DeWolfe, tabled by the following vote:

Whereas, This Committee of the Whole House has conducted an investigation into the various phases of the production, transportation, refining and marketing of petroleum and natural gas; and

Whereas, It is apparent that the present methods of the oil industry result in the extravagant waste of the oil and gas resources of this State; and

Whereas, The continuation of such practices will result in the premature depletion or abandonment and loss of the various fields; and

Whereas, Such reckless exploitation of a natural resource is uneconomic and inconsistent with enlightened State policy; and

Whereas, Producers of oil, as well as thousands of land owners and many other individuals and businesses largely dependent upon the oil industry, are faced with immediate financial collapse, and the resources of State school funds are greatly impaired, with approximately thirty thousand small and normally valuable producing oil wells threatened with abandonment, with consequent loss of enormous tax resources to the State and its subdivisions; and

Whereas, It is a duty imposed upon the Legislature by the Constitution of Texas to provide for rigid conservation of natural resources; and

Whereas, Existing laws relating to the conservation of oil and gas are inadequate and ineffective in restraining those producers responsible for the present conditions; and

Whereas, Facts presented to this Committee indicate certain principles of legislation necessary to be incorporated into the conservation laws of this State; and

Whereas, In the interest of saving the time of this Legislature, it is desirable that measures be prepared in accord with principles known to be acceptable to the House; now, therefore, be it

Resolved, That the Steering Committee be instructed to prepare, with the assistance and advice of the Attorney General and the Chief Oil and Gas Supervisor of the Railroad Commission, conservation measures embodying the following principles and provisions:

(1) Providing for closer supervision of drilling operations to prevent physical waste of oil and gas and to prevent unnecessary damage to fields in which drilling occurs;

(2) Providing that production beyond market demand shall constitute waste;

(3) Providing that production of individual wells within any field may be prorated as to that field and that the separate fields may be prorated as to their respective portions of the allowable total production for the purpose of preventing the excess production that constitutes economic waste;

(4) Providing that the Commission shall have authority to fix the proper gas and oil ratio for any field where such procedure will promote conservation of oil and gas;

(5) Providing that the Commission shall have authority to require in a given field that producers operate the field as a unit where such operation may be considered necessary for purposes of conservation;

(6) Providing that the Commission shall have all necessary authority to fix for each field the potential capacity of wells therein by such means as may be most appropriate to the conservation requirements of the field;

(7) Providing that the Commission may adopt special and different rules and methods for wells producing less than fifty barrels per day;

(8) Providing that the Commission shall have wide discretion in establishing rules of conservation in all necessary particulars;

(9) Providing that the Commission shall have authority to require ratable taking of petroleum by purchasers of oil;

(10) Providing that the Commission

shall have control of the storage of oil and regulate the quantity of oil put in storage, thereby to prevent waste;

(11) Providing that the Commission shall have authority to govern and regulate pipe line connections to wells in any field;

(12) Providing that the Commission shall have authority to require in all contracts between producers and the royalty owners and lessors conditions such as are necessary to promote conservation;

(13) Providing that the Commission shall have authority to determine the potential production of acreage in any field and prevent such drilling operations as will unduly prejudice adjoining properties;

(14) Providing that adequate penalties may be imposed for violations of conservation statutes and regulations;

(15) Providing that the Commission shall have the authority to enjoin violators;

(16) Providing such court procedure as will permit speedy determination of causes in oil litigation;

(17) Providing that the Commission shall have authority to apply for or impose receiverships upon violators wherever necessary to effect conservation;

(18) Providing that there shall be created a Conservation Commission to administer and enforce such law and to assume the duties now imposed upon the Railroad Commission of Texas as to matters involving oil and gas, and providing that said Commission shall consist of three members, one of whom shall be of wide experience in the production and marketing of petroleum and its products, one an experienced petroleum engineer, and one a competent and experienced attorney. Be it further

Resolved, That the Steering Committee be instructed to prepare a separate measure authorizing the effective control of the operations, service and rates of pipe lines and pipe line companies, under the direction of the Conservation Commission.

Yeas—64.

Adams of Jasper.	Baker.
Adamson.	Barron.
Akin.	Boyd.

Brooks.	Kennedy.
Burns of Walker.	Laird.
Burns	Lasseter.
of McCulloch.	Lockhart.
Claunch.	McGill.
Cunningham.	McGregor.
Dale.	Magee.
Daniel.	Metcalf.
Davis.	Nicholson.
DeWolfe.	Olsen.
Dowell.	Patterson.
Elliott.	Petsch.
Farmer.	Ramsey.
Finn.	Rogers.
Ford.	Rountree.
Giles.	Satterwhite.
Goodman.	Smith of Wood.
Greathouse.	Sparkman.
Grogan.	Tarwater.
Hanson.	Terrell
Hardy.	of Val Verde.
Harrison	Turner.
of El Paso.	Vaughan.
Harrison	Veatch.
of Waller.	Wagstaff.
Hefley.	Walker.
Holland.	West of Coryell.
Holloway.	West of Cameron.
Hoskins.	Wiggs.
Jones of Atascosa.	Wyatt.
Kayton.	Young.
Keller.	

Nays—43.

Adkins.	Johnson
Albritton.	of Dimmit.
Alsop.	Johnson of Morris.
Beck.	Jones of Shelby.
Bedford.	Justiss.
Bounds.	Lee.
Bryant.	Long.
Carpenter.	McCombs.
Coltrin.	Mathis.
Cox of Lamar.	Morse.
Cox of Limestone.	Munson.
Forbes.	O'Quinn.
Graves.	Ratliff.
Harman.	Ray.
Hatchitt.	Richardson.
Herzik.	Savage.
Hill.	Scott.
Holder.	Smith of Bastrop.
Howsley.	Steward.
Hubbard.	Strong.
Hughes.	Warwick.
Jackson.	Weinert.

Present—Not Voting.

Dwyer.

Absent.

Adams of Harris.	Englehard.
Anderson.	Farrar.
Caven.	Ferguson.
Dodd.	Fisher.
Donnell.	Fuchs.
Dunlap.	Gilbert.

Hines.	Pope.
Johnson	Reader.
of Dallam.	Sanders.
Lemens.	Shelton.
Leonard.	Sherrill.
Lilley.	Sullivant.
Martin.	Terrell
Mehl.	of Cherokee.
Moffett.	Towery.
Murphy.	Van Zandt.

Absent—Excused.

Bond.	McDougald.
Bradley.	Moore.
Brice.	Stephens.
Coombes.	Stevenson.
Duvall.	Westbrook.

RECESS.

On motion of Mr. Howsley, the House, at 5 o'clock p. m., took recess to 9 o'clock a. m. tomorrow.

EIGHTH DAY.

(Continued.)

(Thursday, July 30, 1931.)

The House met at 9 o'clock a. m., and was called to order by Speaker Minor.

EXPRESSING APPRECIATION TO MEMBERS OF THE HOUSE OF REPRESENTATIVES.

The Speaker laid before the House, and had read, the following communications:

Mrs. Huling Parker Robertson and family deeply appreciate your kindness and sympathy in their bereavement, and gratefully acknowledge the resolutions of the House of Representatives.

Hermann Hospital,
Houston, Texas, July 27, 1931.

My dear Mrs. Phinney: Mrs. Moore desires me thank the members of the House for their message of sympathy and the beautiful flowers.

She regrets exceedingly her inability to attend the sessions of the Legislature.

Yours very sincerely,

MRS. CORNELIUS PUGSLEY.

IN COMMITTEE OF THE WHOLE HOUSE.

(Mr. Minor in the chair.)

On motion of Mr. McGill, the House at 9 o'clock a. m., resolved itself into